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ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	EXDIR		X		
4	D/ICS				
5	DDI				
6	DDA	X			
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC	X			
11	IG				
12	Compt		X		
13	D/OCA				
14	D/PAO				
15	D/PERS				
16	D/Ex Staff				
17	D/SEO	X			
18	D/Security		X		
19					
20					
21					
22	ER SUSPENSE				

[redacted]
Date

Remarks

To 6, 10, 17 & 18: Please provide your comments to DCI as requested in Para # 6.

(Referenced Memo to the President in Para # 5 is ER 88-3643/1.)

STAT

Executive Secretary

28 Sep 88
Date

3637 (10-81)

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SECRET

27 September 1988

MEMORANDUM FOR THE RECORD

SUBJECT: SEO - Telephone Call to Secretary Shultz
27 September 1988 6:00 p.m.

1. I placed a call to Secretary Shultz as he has been preoccupied with the Shevardnadze visit and the United Nations meeting and where he will be for another two weeks.

2. He had wanted to talk to me about the audit and "lie detector" test. He said that his people made the point that this was a "joint enterprise" not like the situation where someone from State goes over to the Agency. Under this situation, unless there are special circumstances, people from State are authorized to take a limited variety test (counter-intelligence). The regulations make this distinction. In his view, subjecting people to the full polygraph for this joint enterprise is not in keeping with his regulations. He noted that one of the first two didn't care and one doesn't want to take it but would do so. He noted the difficulty if, in the course of the polygraph, someone reported an embarrassing fact that this might somehow impact on his career. If he failed to report it this would likely be picked up on the polygraph. He said he was anxious to break through this and get going.

3. I responded first by saying that I too wanted to get it going and that I would try to work with him as I had on all the other concessions that I had made to accommodate his concerns. I said first that I was not convinced that it was a "joint" enterprise because the DCI paid the salaries and it was under the DCI. [He had said if it were a CIA enterprise we would be back to square one. I assured him that I viewed it as a DCI enterprise.] I said that it was my understanding that because we customarily gave the full polygraph test, there were a number of legitimate security questions which were not included on any interview forms but would have been picked up in the polygraph. I said that I would be willing to talk to our people about accepting the counterintelligence test at least for these two people (whom we knew) provided that any necessary and material questions could be covered by a questionnaire and/or interview. Secretary Shultz was favorably disposed to this approach and said that he would advise his people that I was working on this kind of an approach and that he favored it.

DCI

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4. I then noted that there were a number of other things reflected in Anne Armstrong's letter (he had received a copy) that I thought we should work on immediately, the first of which was to make the existing State security standards available to SEO. I said this was a reasonable and rational place of beginning and I could think of no reason why that information should be withheld, if in fact such standards existed. He gave somewhat cautious or guarded acknowledgement of my point and I later repeated my request that he take steps, which he indicated he would do.

5. I then referred to the mission costs and his letter, noting it had not been coordinated with us and that I found it necessary to file a disclaimer with the President. I said that I would be willing to work with him to achieve funding but that I did not think it was appropriate to come out of our existing budget. In a kind of talking explanation, Secretary Shultz outlined his problems with his Committees and the virtual certainty that they would not provide additional funds, especially Neal Smith's Committee. He indicated that Senator Boren and others in Intelligence had suggested that money could be found. I interjected that I didn't see how it could be found in our existing budget which was already lean. He said that there certainly wasn't any of it in State Department. We agreed that this was a matter for our further discussion. I told him that Bob would be standing in for me during my trip out of the country if the discussions could begin during that time after his return from New York City but that I would be happy to discuss it with him. I reiterated that I didn't think he should go to the Congress for a piece of the Intelligence Community budget but that after we had had discussions, I would be willing to support his getting the money to do the job. [The memorandum that I sent to the President should establish our position and in my conversation with General Powell I feel confident the President will not authorize the Secretary to seek a transfer of funds from our budget without this being first fully discussed inside the Executive Branch.]

6. The approach to the polygraph should be discussed with Security, with SEO and the General Counsel. If it is unworkable or unreasonably exposes us to risk, I will go back to Secretary Shultz. We should continue to press for the standards and other items in Anne Armstrong's letter. You will note that she calls for a Memorandum of Understanding between us. Those involved should comment to me on this recommendation.

William H. Webster

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